

| ROUTING AND TRANSMITTAL SLIP | | Date |
|---|----------------------|------------------|
| | | 12 Feb 1982 |
| TO: (Name, office symbol, room number, building, Agency/Post) | Initials | Date |
| 1. D/SOVA | <i>[Signature]</i> | 19 FEB 1982 |
| 2. DDI (7E-47, Hqs.) | | |
| 3. | | |
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| 5. | | |
| Action | File | Note and Return |
| Approval | For Clearance | Per Conversation |
| As Requested | For Correction | Prepare Reply |
| Circulate | For Your Information | See Me |
| Comment | Investigate | Signature |
| Coordination | Justify | |
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| FROM: (Name, org. symbol, Agency/Post) | Room No. <i>Slide</i> |
| Chief, SOVA/SED | 2N30 |
| | Phone No. |

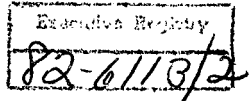
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OPTIONAL FORM 41 (Rev. 7-76)

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SECRET [REDACTED]

881-1370-8-25X1



18 February 1982

MEMORANDUM FOR: Deputy Director for Intelligence

FROM : [REDACTED]
Director of Soviet Analysis

25X1

SUBJECT : [REDACTED] Memorandum to the DCI,
"Soviet Hard Currency Crunch," dated
5 February 1982

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1. You requested comments on [REDACTED] memorandum to the DCI. [REDACTED] suggests that we launch a study of whether the USSR can avoid a hard currency crunch by finding new sources of hard currency (e.g., by selling equipment and construction services to OPEC countries) or by bartering Soviet goods for Western food and equipment to a greater extent than is now the case. [REDACTED]

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2. The 1982 research program for our Soviet Economy Division includes some projects that should provide more evidence on the Soviet hard currency position. The Trade Branch currently is pulling together material for an IA, "Soviet Balance of Payments Position and Debt to the West," that will summarize conclusions on Soviet hard currency earning potential. One of our new analysts in the Soviet Trade Branch also has been assigned specifically to work on the area of Soviet export potential. We expect to be able to beef up this effort this spring when a seasoned analyst from the now-extinct Bureau of East-West Trade in Commerce is scheduled to transfer into the branch. (The sort of work she has been doing is suggested in the Attachment, which proposes a paper for the next JEC volume on the Soviet economy and alludes to an earlier paper she did for the JEC.) We might also try to backstop this work through an external contract. [REDACTED]

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3. You also asked whether the USSR has been able to obtain oil or hard currency in the Middle East or Africa by bartering Soviet goods or services, as the East Europeans have been trying to do. This already may be occurring, at least to the extent the USSR sells arms to Libya and Iraq/Iran at the same time it purchases their oil. To answer this question, the Trade Branch has tasked an analyst to begin exploratory research on the Soviet-LDC commercial relationship. This effort will look at the possibilities for barter trade within the overall context of the prospects for LDC trade development. For the next JEC volume on the Soviet economy, [REDACTED] will

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also be doing a study on the Soviet economy--"Soviet Energy Policy in the Middle East and the Gulf: The Search for Political and Economic Strategies"--that bears on your question. [REDACTED]

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Attachments:
As stated.

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ATTACHMENT

DEPARTMENT OF COMMERCE - OEWPP
Proposal for JEC Print on U.S.S.R.
November 20, 1981

Project Title: Update of Analysis of Soviet Hard Currency Export Capabilities

Project Officer:

STAT

Objective: To update earlier work on Soviet hard currency export capabilities by incorporating 1980 trade data into the historical analysis.

Description: Over the long term, continued growth in East-West trade must rely on the ability of Eastern countries to expand their hard currency exports. For this reason, an extensive assessment of hard currency export capabilities was begun in 1977. The first iteration of this study appeared in the 1977 U.S. Congressional Joint Economic Committee print on Eastern Europe. Analysis in that paper was based on data through 1975, with a subsequent update using 1976 data completed in 1978. Due to the scope of the research involved, the original study, which included analysis of East European countries export capabilities' has now been separated into two sections. This project is now dedicated to preparation of an update on the export capabilities of the U.S.S.R. alone. In addition, the following points will be given specific attention in this iteration of the study:

- 1) Analysis of projected exports derived from compensation arrangements and the extent of their relative contribution to future export volumes.
- 2) Examination of Soviet policy measures vis-a-vis export strategy. Included will be a look at price discounting, marketing strategy, and preceptions of Western markets.
- 3) Analysis of availability of exportable goods from domestic production and efforts to expand marketing of manufactured products.

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also be doing a study on the Soviet economy--"Soviet Energy Policy in the Middle East and the Gulf: The Search for Political and Economic Strategies"--that bears on your question. [REDACTED]

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Attachments:
As stated.

Distribution:

- 1 - ADDI
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